

Össur hf.

Condensed Consolidated

Financial Statements

September 30 2013

Össur hf.
Grjóthálsi 5
110 Reykjavík
Id-no. 560271-0189

Össur hf.

Condensed Consolidated
Financial Statements

September 30 2013

Table of Contents

Statement by the Board of Directors and President and CEO	2
Financial Highlights and Key Ratios	3
Consolidated Income Statements	4
Consolidated Statements of Comprehensive Income	5
Consolidated Balance Sheets	6
Consolidated Statements of Cash Flows	8
Consolidated Statements of Changes in Equity	9
Notes to the Condensed Consolidated Financial Statements	10

Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 30 September 2013 consist of the Financial Statements of Össur hf. and its subsidiaries. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU. The Condensed Interim Consolidated Financial Statements are not audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 307.8 million and the net profit amounted to USD 26.8 million. According to the Balance Sheets the total assets of the Össur Consolidation amounted to USD 685.3 million at the end of period, liabilities were 252.2 million, and equity was 433.1 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 30 September 2013 and operating performance of the period ended 30 September 2013.

The Board of Directors and the President and CEO of Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 September 2013 and confirm them by means of their signatures.

Reykjavík, 23 October 2013

Board of Directors

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen

Kristján T. Ragnarsson

Guðbjörg Edda Eggertsdóttir

Svafa Grönfeldt

President and CEO

Jón Sigurðsson

Financial Highlights and Key Ratios

Consolidated statements

		Q3 2013	Q3 2012	2012	2011	2010	2009
Income Statements							
Net sales	USD '000	104,738	98,517	399,437	398,325	358,538	330,580
Gross profit	USD '000	65,389	61,687	247,952	246,070	222,622	201,815
Operating expenses (excl. other income)	USD '000	46,927	46,702	191,278	188,773	163,964	154,071
Profit from operations	USD '000	18,558	15,027	56,776	59,400	60,245	48,240
Net profit	USD '000	12,681	9,887	37,763	34,608	35,362	22,762
EBITDA	USD '000	22,295	18,242	69,956	72,606	74,358	66,988
Sales growth							
Sales growth USD	%	6	(2)	0	11	9	(5)
Growth breakdown:							
Organic growth in LCY	%	3	1	3	5	6	(1)
Currency effect	%	1	(4)	(3)	3	(1)	(4)
Acquired/divested business	%	2	1	1	4	4	0
Balance Sheets							
Total assets	USD '000	685,291	599,398	591,163	579,968	607,078	628,217
Equity	USD '000	433,091	396,828	407,734	364,733	343,558	312,223
Net interest-bearing debt (NIBD)	USD '000	77,968	95,349	82,218	111,413	132,816	157,633
Cash Flows							
Cash generated by operations	USD '000	24,227	16,940	70,553	68,377	64,331	85,770
Cash provided by operating activities	USD '000	25,138	15,238	57,568	48,447	39,995	69,155
Cash flows from investing activities	USD '000	(14,396)	(4,241)	(26,633)	(18,585)	(18,987)	(16,423)
Cash flows from financing activities	USD '000	49,878	(10,783)	(29,173)	(64,507)	(45,594)	(4,284)
Free cash flow	USD '000	21,295	11,513	43,310	32,493	33,389	60,238
Key figures							
Operating margin	%	17.7	15.3	14.2	14.9	16.8	14.6
EBITDA margin	%	21.3	18.5	17.5	18.2	20.7	20.3
Equity ratio	%	63.2	66.2	69.0	62.9	56.6	49.7
Ratio of net debt to EBITDA ¹		1.2	1.6	1.2	1.5	1.8	2.4
Ratio of debt to EBITDA ¹		2.4	1.9	1.5	1.8	2.5	3.5
Current ratio		2.5	1.8	1.9	1.7	1.9	2.3
Return on equity ¹	%	8.6	10.1	10.0	9.6	10.2	8.1
Market							
Market value of equity	USD '000	755,389	637,795	605,649	675,533	777,593	529,151
Number of shares	Millions	454	454	454	454	454	454
Price/earnings ratio, (P/E) ¹		21.3	17.4	15.8	20.0	22.3	23.2
Diluted EPS	US cent	2.8	2.2	8.4	7.7	7.8	5.3
Diluted cash EPS	US cent	3.7	2.9	11.3	10.6	10.9	9.7

1. Financial ratios for Q3 2013 and Q3 2012 are based on operations for the preceding 12 months.

Consolidated Income Statements for the period

1.1 - 30.9.2013 and 1.1 - 30.9.2012

	Notes	2013 YTD	2012 YTD	2013 Q3	2012 Q3
Net sales	3	307,802	301,042	104,738	98,517
Cost of goods sold		<u>(117,753)</u>	<u>(113,417)</u>	<u>(39,349)</u>	<u>(36,830)</u>
Gross profit		190,049	187,625	65,389	61,687
Other income		339	(173)	96	42
Sales and marketing expenses		(96,579)	(89,670)	(30,967)	(29,353)
Research and development expenses		(16,044)	(16,234)	(4,813)	(5,531)
General and administrative expenses		<u>(37,235)</u>	<u>(35,540)</u>	<u>(11,147)</u>	<u>(11,818)</u>
Profit from operations		40,530	46,008	18,558	15,027
Financial income		190	111	39	32
Financial expenses		(3,359)	(5,514)	(1,100)	(1,751)
Net exchange rate difference		41	(466)	810	206
Net financial income / (expenses)	5	<u>(3,128)</u>	<u>(5,869)</u>	<u>(251)</u>	<u>(1,513)</u>
Share in net profit of associated companies		<u>(1,211)</u>	182	<u>(1,269)</u>	131
Profit before tax		36,191	40,321	17,038	13,645
Income tax	6	<u>(9,367)</u>	<u>(10,629)</u>	<u>(4,357)</u>	<u>(3,758)</u>
Net profit		<u>26,824</u>	<u>29,692</u>	<u>12,681</u>	<u>9,887</u>
Attributable to:					
Owners of the Company		26,824	29,879	12,597	10,483
Non-controlling interests		0	(187)	84	(596)
		<u>26,824</u>	<u>29,692</u>	<u>12,681</u>	<u>9,887</u>
Earnings per share	7				
Basic earnings per share (US cent)		<u>6.0</u>	<u>6.6</u>	<u>2.8</u>	<u>2.2</u>
Diluted earnings per share (US cent)		<u>6.0</u>	<u>6.6</u>	<u>2.8</u>	<u>2.2</u>

Consolidated Statements of Comprehensive Income for the period 1.1 - 30.9.2013 and 1.1 - 30.9.2012

	Notes	2013 YTD	2012 YTD	2013 Q3	2012 Q3
Net profit		26,824	29,692	12,681	9,887
Other comprehensive income					
Change on cash flow hedges		837	1,055	1,268	311
Transl. difference of shares in foreign operations.....		907	2,190	4,865	5,048
Income tax relating to components of other comprehensive income.....		244	(133)	45	242
Other comprehensive income (net of tax).....		1,988	3,112	6,178	5,601
Total comprehensive income		<u>28,812</u>	<u>32,804</u>	<u>18,859</u>	<u>15,488</u>
	Attributable to:				
Owners of the Company		28,812	32,991	18,775	16,084
Non-controlling interests		0	(187)	84	(596)
		<u>28,812</u>	<u>32,804</u>	<u>18,859</u>	<u>15,488</u>

Consolidated Balance Sheets

Assets

	Notes	30.9.2013	31.12.2012
Non-current assets			
Property, plant and equipment	9	38,847	35,489
Goodwill	10	361,495	348,935
Other intangible assets	11	35,531	33,136
Other financial assets	12	5,656	6,824
Deferred tax assets	21	23,916	26,565
		<u>465,445</u>	<u>450,949</u>
Current assets			
Inventories	13	58,471	56,757
Accounts receivables	14	69,186	52,666
Other assets	15	11,371	8,913
Bank balances and cash	16	80,818	21,878
		<u>219,846</u>	<u>140,214</u>
Total assets		<u><u>685,291</u></u>	<u><u>591,163</u></u>

30 September 2013 and 31 December 2012

Equity and liabilities

	Notes	30.9.2013	31.12.2012
Equity			
Issued capital	17	198,365	193,791
Reserves		3,278	1,091
Retained earnings		230,543	211,971
Equity attributable to owners of the Company		<u>432,186</u>	<u>406,853</u>
Non-controlling interest in equity		905	881
Total equity		<u>433,091</u>	<u>407,734</u>
Non-current liabilities			
Borrowings	19	138,575	83,742
Deferred tax liabilities	21	18,338	17,687
Provisions	22	4,872	4,838
Other financial liabilities	20	1,480	2,151
		<u>163,265</u>	<u>108,418</u>
Current liabilities			
Borrowings	19	20,211	20,354
Accounts payable		19,684	17,120
Taxes payable		7,477	767
Provisions	22	4,513	4,762
Accrued salaries and related expenses		18,076	16,894
Other liabilities	23	18,974	15,114
		<u>88,935</u>	<u>75,011</u>
Total equity and liabilities		<u>685,291</u>	<u>591,163</u>

Consolidated Statements of Cash Flows

for the period 1.1 - 30.9.2013 and 1.1 - 30.9.2012

	Notes	2013 YTD	2012 YTD	2013 Q3	2012 Q3
Cash flows from operating activities					
Profit from operations		40,530	46,008	18,558	15,027
Depreciation and amortization	9, 11	10,589	9,564	3,737	3,215
(Gain) / loss on disposal of assets		121	139	(198)	155
Change in provisions		(241)	251	(580)	(289)
Changes in operating assets and liabilities		(7,076)	(10,532)	2,710	(1,168)
Cash generated by operations		43,923	45,430	24,227	16,940
Interest received		191	112	18	51
Interest paid		(2,517)	(3,443)	(685)	(861)
Taxes (paid)/received		(1,420)	(3,150)	1,578	(892)
Net cash provided by operating activities		40,177	38,949	25,138	15,238
Cash flows from investing activities					
Purchase of fixed and intangible assets	9, 11	(12,777)	(10,463)	(3,850)	(3,728)
Proceeds from sale of fixed assets		81	32	7	3
Acquisition of subsidiaries		(10,984)	(11,460)	(10,984)	(143)
Changes in financial assets		414	(394)	431	(373)
		(23,266)	(22,285)	(14,396)	(4,241)
Cash flows from financing activities					
Proceeds from long-term borrowings		443	0	479	0
Repayments of long-term borrowings		(15,158)	(16,109)	(4,958)	(5,376)
Changes in revolving credit facility		64,109	(1,152)	54,479	(5,407)
Payment of dividends		(7,861)	0	0	0
Dividends from subsidiaries paid to non-controlling interests		(356)	(138)	(122)	0
		41,177	(17,399)	49,878	(10,783)
Net change in cash		58,088	(735)	60,620	214
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		(204)	(93)	90	(354)
Other items held in foreign currencies		1,056	348	1,191	811
Cash at beginning of period		21,878	19,656	18,917	18,505
Cash at end of period		80,818	19,176	80,818	19,176
Additional information regarding cash flow	8				

Consolidated Statements of Changes in Equity for the period ended 30 September 2013

	Share capital	Share premium	Statutory reserve	Share option reserve	Hedging reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2012.....	5,024	188,767	1,267	1,453	(2,979)	(3,582)	173,120	363,070	1,663	364,733
Net profit.....							29,879	29,879	(187)	29,692
Change in cash flow hedges net of tax.....					1,040			1,040		1,040
Translation difference of shares in foreign operations....						2,072		2,072		2,072
Total comprehensive income for the period.....	0	0	0	0	1,040	2,072	29,879	32,991	(187)	32,804
Payment of dividends.....								0	(138)	(138)
Share option charge for the period.....				204				204		204
Share option vested during the period.....				(987)				(987)		(987)
Arising on acquisition.....								0	212	212
Balance at 30 September 2012.....	5,024	188,767	1,267	670	(1,939)	(1,510)	202,999	395,278	1,550	396,828
Balance at 1 January 2013.....	5,024	188,767	1,267	958	(1,587)	453	211,971	406,853	881	407,734
Net profit.....							26,824	26,824	0	26,824
Change in cash flow hedges net of tax.....					690			690		690
Translation difference of shares in foreign operations....						1,298		1,298		1,298
Total comprehensive income for the period.....	0	0	0	0	690	1,298	26,824	28,812	0	28,812
Payment of dividends.....							(7,861)	(7,861)	(356)	(8,217)
Share option charge for the period.....				683				683		683
Share options forfeited.....				(298)				(298)		(298)
Share option vested during the period.....				(186)				(186)		(186)
Arising on acquisition.....								0	144	144
Share capital increase.....								0	236	236
Movement of treasury shares.....	24	4,550					(391)	4,183		4,183
Balance at 30 September 2013.....	5,048	193,317	1,267	1,157	(897)	1,751	230,543	432,186	905	433,091

Notes to the Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies

1.1 Statement of compliance

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The Financial Statements are presented in USD, which is the Company's functional currency. They do not include all of the information required for full annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the period ended 31 December 2012.

1.2 Basis of preparation

The Condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Financial Statements for the period ended 31 December 2012.

2. Quarterly statements

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Net sales	104,738	105,963	97,101	98,395	98,517
Cost of goods sold	(39,349)	(41,348)	(37,056)	(38,068)	(36,830)
Gross profit	65,389	64,615	60,045	60,327	61,687
Gross profit margin	62%	61%	62%	61%	63%
Other income	96	58	185	275	42
Sales and marketing expenses	(30,967)	(33,802)	(31,810)	(31,254)	(29,353)
Research and development expenses	(4,813)	(5,296)	(5,935)	(5,897)	(5,531)
General and administrative expenses	(11,147)	(13,657)	(12,431)	(12,683)	(11,818)
Profit from operations	18,558	11,918	10,054	10,768	15,027
Net financial income /(expenses)	(1,061)	(997)	(1,111)	(1,232)	(1,719)
Net exchange rate difference	810	347	(1,116)	747	206
Total financial income/(expenses)	(251)	(650)	(2,227)	(485)	(1,513)
Share in profit of associated companies	(1,269)	(14)	72	274	131
Profit before tax	17,038	11,254	7,899	10,557	13,645
Income tax	(4,357)	(2,889)	(2,121)	(2,486)	(3,758)
Net profit	12,681	8,365	5,778	8,071	9,887
EBITDA	22,295	15,301	13,523	14,384	18,242
EBITDA ratio	21%	14%	14%	15%	19%
EBITDA adjusted	22,295	20,265	13,523	14,384	18,242
EBITDA adjusted ratio	21%	19%	14%	15%	19%

3. Net sales

Specified according to geographical segments:

	YTD 2013	YTD 2012	Q3 2013	Q3 2012
Americas.....	153,793	158,631	54,409	53,667
EMEA.....	136,578	126,228	44,722	38,772
Asia.....	17,431	16,183	5,607	6,078
	307,802	301,042	104,738	98,517

Specified according to product lines:

Bracing and Supports.....	160,441	158,088	54,850	51,458
Prosthetics.....	133,025	128,979	45,551	43,110
Compression Therapy (Phlebology).....	13,686	13,348	4,105	3,708
Other products.....	650	627	232	241
	307,802	301,042	104,738	98,517

Notes to the Condensed Consolidated Financial Statements

4. Segment information

2013	Americas YTD 2013	EMEA YTD 2013	Asia YTD 2013	Eliminations YTD 2013	Consolidated YTD 2013
Sales					
External sales.....	153,793	136,578	17,431	0	307,802
Inter-segment sales.....	34,696	99,646	2,701	(137,043)	0
Total sales.....	<u>188,489</u>	<u>236,224</u>	<u>20,132</u>	<u>(137,043)</u>	<u>307,802</u>
Result					
Segment results.....	<u>11,176</u>	<u>25,682</u>	<u>3,672</u>	<u>0</u>	40,530
Financial income/(expenses).....					(3,128)
Share in net profit of associated companies.....					<u>(1,211)</u>
Profit before tax.....					36,191
Income tax.....					<u>(9,367)</u>
Net profit.....					<u>26,824</u>
Balance sheet 30.9.2013					
Assets					
Segment assets.....	516,565	468,045	16,799	(316,118)	<u>685,291</u>
Liabilities					
Segment liabilities.....	199,874	318,552	7,162	(273,388)	<u>252,200</u>
Other information YTD 2013					
Capital additions.....	7,157	5,565	55	0	12,777
Depreciation and amortization.....	3,780	6,549	260	0	10,589

Notes to the Condensed Consolidated Financial Statements

2012	<u>Americas</u>	<u>EMEA</u>	<u>Asia</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>YTD 2012</u>	<u>YTD 2012</u>	<u>YTD 2012</u>	<u>YTD 2012</u>	<u>YTD 2012</u>
Sales					
External sales.....	158,631	126,228	16,183	0	301,042
Inter-segment sales.....	29,991	84,097	6	(114,094)	0
Total sales.....	<u>188,622</u>	<u>210,325</u>	<u>16,189</u>	<u>(114,094)</u>	<u>301,042</u>
Result					
Segment results.....	<u>18,967</u>	<u>23,194</u>	<u>3,847</u>	<u>0</u>	46,008
Financial income/(expenses).....					(5,869)
Share in net profit of associated companies.....					182
Profit before tax.....					40,321
Income tax.....					(10,629)
Net profit.....					<u>29,692</u>
Balance sheet 30.9.2012					
Assets					
Segment assets.....	496,831	383,232	15,771	(296,436)	<u>599,398</u>
Liabilities					
Segment liabilities.....	193,468	229,534	7,063	(227,495)	<u>202,570</u>
Other information YTD 2012					
Capital additions.....	3,746	6,097	620	0	10,463
Depreciation and amortization.....	3,304	6,019	241	0	9,564

Notes to the Condensed Consolidated Financial Statements

5. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2013	YTD 2012	Q3 2013	Q3 2012
Financial income				
Interests on bank deposits.....	48	53	23	11
Other financial income.....	142	58	16	21
	<u>190</u>	<u>111</u>	<u>39</u>	<u>32</u>
Financial expenses				
Interests on loans.....	(2,964)	(5,058)	(968)	(1,589)
Other financial expenses.....	(395)	(456)	(132)	(162)
	<u>(3,359)</u>	<u>(5,514)</u>	<u>(1,100)</u>	<u>(1,751)</u>
Net exchange rate differences.....	41	(466)	810	206
Net financial income / (expenses).....	<u>(3,128)</u>	<u>(5,869)</u>	<u>(251)</u>	<u>(1,513)</u>

6. Income tax

	YTD 2013	YTD 2012	Q3 2013	Q3 2012
Current tax expenses.....	(6,264)	(7,367)	(3,136)	(2,535)
Deferred tax expenses.....	(3,103)	(3,262)	(1,221)	(1,223)
	<u>(9,367)</u>	<u>(10,629)</u>	<u>(4,357)</u>	<u>(3,758)</u>
	YTD 2013		YTD 2012	
	Amount	%	Amount	%
Profit before taxes.....	<u>36,191</u>		<u>40,321</u>	
Income tax calculated at 20%.....	(7,238)	20%	(8,064)	20%
Effect of different tax rates of other jurisdictions.....	(1,796)	5%	(1,764)	4%
Effect of non-deductible expenses / income.....	(240)	1%	(315)	1%
Other changes.....	(93)	0%	(486)	1%
	<u>(9,367)</u>	26%	<u>(10,629)</u>	26%

Notes to the Condensed Consolidated Financial Statements

7. Earnings per share

	YTD 2013	YTD 2012	Q3 2013	Q3 2012
Net profit.....	26,824	29,692	12,681	9,887
Total weighted average number of ordinary shares (in thousands).....	448,939	448,732	449,553	448,732
Total average number of shares including potential shares from options (in thousands).....	449,054	449,016	449,693	449,016
Basic earnings per share (US cent).....	6.0	6.6	2.8	2.2
Diluted earnings per share (US cent).....	6.0	6.6	2.8	2.2
Cash earnings per share.....	8.3	8.7	3.7	2.9
Diluted cash earnings per share.....	8.3	8.7	3.7	2.9

8. Additional information regarding cash flow

	YTD 2013	YTD 2012	Q3 2013	Q3 2012
Net profit.....	26,824	29,692	12,681	9,887
Items not affecting cash	15,669	14,767	5,884	4,401
Working capital provided by operating activities.....	42,493	44,459	18,565	14,288
(Increase) / decrease in inventories.....	2,276	(2,036)	303	(842)
(Increase) / decrease in receivables.....	(10,783)	(3,433)	1,717	315
Increase / (decrease) in payables.....	6,191	(41)	4,553	1,477
Net cash provided by operating activities.....	40,177	38,949	25,138	15,238

Notes to the Condensed Consolidated Financial Statements

9. Property, plant and equipment

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
2013				
Cost				
At 1 January 2013.....	14,155	42,464	26,959	83,578
Additions.....	537	4,213	4,736	9,486
Acquired on acquisition of subsidiary.....	0	42	3,755	3,797
Purchase price allocation.....	0	0	(73)	(73)
Exchange rate differences.....	334	200	85	619
Eliminated on disposal.....	(585)	(943)	(2,328)	(3,856)
Fully depreciated assets.....	0	(1,648)	(672)	(2,320)
At 30 September 2013.....	14,441	44,328	32,462	91,231
Depreciation				
At 1 January 2013.....	8,734	25,047	14,308	48,089
Charge for the period.....	298	4,156	2,492	6,946
Acquired on acquisition of subsidiary.....	0	29	2,912	2,941
Exchange rate differences.....	272	158	(51)	379
Eliminated on disposal.....	(459)	(870)	(2,322)	(3,651)
Fully depreciated assets.....	0	(1,648)	(672)	(2,320)
At 30 September 2013.....	8,845	26,872	16,667	52,384
Carrying Amount:				
At 30 September 2013.....	5,596	17,456	15,795	38,847
At 31 December 2012.....	5,421	17,417	12,651	35,489

Depreciation classified by operational category is shown in the following schedule:

	YTD 2013	YTD 2012
Cost of goods sold	3,542	3,704
Sales and marketing expenses	680	492
Research and development expenses.....	337	513
General and administrative expenses	2,387	2,148
	6,946	6,857

10. Goodwill

Cost	30.9.2013	31.12.2012
At 1 January.....	348,935	333,484
Arising on acquisition of subsidiaries.....	13,416	12,295
Purchase price allocation.....	(2,368)	0
Exchange rate differences.....	1,512	3,156
At end of period.....	361,495	348,935

The carrying amount of goodwill was allocated to the following cash-generating units:

	30.9.2013	31.12.2012
Americas.....	206,919	209,874
Americas distribution companies.....	18,591	15,750
EMEA.....	133,010	120,162
Asia.....	2,975	3,149
	361,495	348,935

Notes to the Condensed Consolidated Financial Statements

11. Other intangible assets

	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
2013					
Cost					
At 1 January 2013.....	24,065	4,806	15,826	17,951	62,648
Additions.....	0	156	105	1,427	1,688
Additions - internally generated.....	0	0	0	1,603	1,603
Purchase price allocation.....	237	1,372	0	699	2,308
Fully depreciated assets.....	0	(2,133)	0	(354)	(2,487)
Exchange rate differences.....	308	56	349	14	727
At 30 September 2013.....	24,610	4,257	16,280	21,340	66,487
Amortization					
At 1 January 2013.....	15,011	4,140	708	9,653	29,512
Charge for the period.....	1,836	126	1	1,680	3,643
Fully depreciated assets.....	0	(2,133)	0	(354)	(2,487)
Exchange rate differences.....	262	10	11	5	288
At 30 September 2013.....	17,109	2,143	720	10,984	30,956
Carrying amount:					
At 30 September 2013.....	7,501	2,114	15,560	10,356	35,531
At 31 December 2012.....	9,054	666	15,118	8,298	33,136

Amortization classified by operational category is shown in the following schedule:

	YTD 2013	YTD 2012
Cost of goods sold.....	394	36
Sales and marketing expenses.....	2,318	1,867
Research and development expenses.....	175	298
General and administrative expenses.....	756	506
	3,643	2,707

Notes to the Condensed Consolidated Financial Statements

12. Other financial assets

	30.9.2013	31.12.2012
Investment in associates.....	2,479	4,144
Restricted cash.....	1,823	1,180
Loans and receivables.....	1,354	1,500
	<u>5,656</u>	<u>6,824</u>

Investments in associates

The Company has invested 30-50% of shares in associated companies located in France and the USA. The principal activities of those companies are manufacturing and distribution.

	30.9.2013	31.12.2012
At 1 January.....	4,144	2,986
Additions due to acquisitions.....	0	1,050
Share in net profit (net of dividend received).....	(71)	108
Sales gain/(loss) of associates.....	(1,136)	0
Sold associates.....	(457)	0
At end of period.....	<u>2,479</u>	<u>4,144</u>

13. Inventories

	30.9.2013	31.12.2012
Raw material.....	12,868	14,275
Work in progress.....	3,053	2,632
Finished goods	42,550	39,850
	<u>58,471</u>	<u>56,757</u>

14. Accounts receivables

	30.9.2013	31.12.2012
Nominal value.....	71,605	55,612
Allowances for doubtful accounts.....	(1,485)	(1,886)
Allowances for sales return.....	(934)	(1,060)
	<u>69,186</u>	<u>52,666</u>

15. Other assets

	30.9.2013	31.12.2012
VAT refundable.....	3,719	2,398
Prepaid expenses.....	4,007	4,583
Taxes receivable.....	444	319
Other.....	3,201	1,613
	<u>11,371</u>	<u>8,913</u>

16. Bank balances and cash

	30.9.2013	31.12.2012
Bank accounts.....	79,075	19,123
Bankers draft received.....	1,728	2,738
Cash and other cash equivalents.....	15	17
	<u>80,818</u>	<u>21,878</u>

Notes to the Condensed Consolidated Financial Statements

17. Issued capital

Common stock is as follows in thousands of shares and nominal value in USD thousands:

	Shares	Nominal value
Total share capital.....	453,750	5,068
Treasury shares.....	(2,243)	(20)
	<u>451,507</u>	<u>5,048</u>

Total shares issued at balance sheet date are 453,750,008. The nominal value of each share is one Icelandic Króna. All shares are fully paid.

	Share capital	Share premium	Issued capital
Balance at 1 January 2012/2013.....	5,024	188,767	193,791
Transfer of treasury stock.....	24	4,550	4,574
Balance at 30 September 2013.....	<u>5,048</u>	<u>193,317</u>	<u>198,365</u>

18. Share option contracts and obligations to increase share capital

The following share option contracts were in existence at balance sheet date:

	Number of shares	Grant/Issue year	Exercise year	Exercise price (in DKK)	Fair value at grant date (in DKK)
Issued to Executive Management.....	2,850,000	2012	2015	8.6-8.7	8.8
Issued to Executive Management.....	700,000	2013	2016	7.9-8.7	7.9
Issued to Management team.....	2,200,000	2009/2012	2013/2015	5.3-8.7	5.3-9.5
Issued to Management team.....	600,000	2013	2016	7.9-8.7	7.9
Total issued option contracts.....	<u>6,350,000</u>				

Movements in share options:

	30.9.2013		31.12.2012	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	6,750,000	8.3	3,300,000	6.6
Granted during period	1,400,000	8.2	5,850,000	8.6
Forfeited during period	(1,600,000)	8.3	(100,000)	10.7
Exercised during period.....	(200,000)	4.4	(2,300,000)	6.5
Outstanding at end of period.....	<u>6,350,000</u>	<u>8.4</u>	<u>6,750,000</u>	<u>8.3</u>

Estimated remaining cost due to the share option contracts are 1.2 million (2012: 2.1 million). An expense of 0.7 million (YTD 2012: 0.2 million) is recognized in the Income Statement for the period.

Notes to the Condensed Consolidated Financial Statements

19. Borrowings

	30.9.2013		31.12.2012	
	Current	Non-current	Current	Non-current
Loans in USD.....	12,850	35,609	12,866	44,791
Loans in EUR.....	6,579	17,016	6,527	21,850
Revolver in USD.....	0	14,000	0	11,500
Revolver in EUR.....	0	70,446	0	4,616
Other borrowings.....	782	1,504	961	985
	<u>20,211</u>	<u>138,575</u>	<u>20,354</u>	<u>83,742</u>

The maturity of the revolving credit facility is March 2016. The Company has classified the revolver as non-current liability as the intention is to use it for further growth of the Company.

Aggregated maturities of borrowings are as follows:

	30.9.2013	31.12.2012
In 1.10.2013 - 30.9.2014 / 2013.....	20,211	20,354
In 1.10.2014 - 30.9.2015 / 2014.....	20,876	20,498
In 1.10.2015 - 30.9.2016 / 2015.....	117,699	19,544
In 1.10.2016 - 30.9.2017 / 2016.....	0	43,700
	<u>158,786</u>	<u>104,096</u>

20. Other financial liabilities

At balance sheet date, two interest rate swap agreements are effective, with a negative value of 1.5 million (2012 2.2 million).

21. Deferred tax asset / (liability)

	30.9.2013	31.12.2012
At beginning of period.....	8,878	15,941
Income tax payable for the period.....	6,264	6,120
Calculated tax for the period.....	(9,367)	(13,115)
Recognized directly through equity.....	(70)	(44)
Exchange rate differences.....	(127)	(24)
	<u>5,578</u>	<u>8,878</u>
Deferred tax in the balance sheet:		
Deferred tax asset.....	23,916	26,565
Deferred tax liabilities.....	(18,338)	(17,687)
	<u>5,578</u>	<u>8,878</u>

Notes to the Condensed Consolidated Financial Statements

The following are the major deferred tax liabilities and assets recognized:

30.9.2013	Assets	Liabilities	Net
Goodwill.....	19,334	(12,761)	6,573
Intangible assets.....	1,020	(5,128)	(4,108)
Operating fixed assets.....	145	(1,398)	(1,253)
Tax loss carry forward.....	897	0	897
Inventories.....	1,723	0	1,723
Provisions.....	703	(598)	105
Current liabilities.....	3,170	(1,557)	1,613
Receivables.....	0	(716)	(716)
Other.....	798	(54)	744
Total tax assets / (liabilities).....	27,790	(22,212)	5,578
Tax asset and liabilities offsetting.....	(3,874)	3,874	0
	<u>23,916</u>	<u>(18,338)</u>	<u>5,578</u>

22. Provisions

	30.9.2013		31.12.2012	
	Current	Non-current	Current	Non-current
Warranty.....	2,379	4,618	2,589	4,591
Other.....	2,134	254	2,173	247
	<u>4,513</u>	<u>4,872</u>	<u>4,762</u>	<u>4,838</u>

	Warranty provisions	Other provisions	Total
At 1 January 2012.....	7,025	1,102	8,127
Additional provision recognized.....	3,091	1,859	4,950
Utilization of provision.....	(2,936)	(556)	(3,492)
Exchange differences.....	0	15	15
At 31 December 2012.....	7,180	2,420	9,600
Additional provision recognized.....	2,369	2,744	5,113
Utilization of provision.....	(2,552)	(2,796)	(5,348)
Exchange differences.....	0	20	20
Balance at 30 September 2013.....	<u>6,997</u>	<u>2,388</u>	<u>9,385</u>

Notes to the Condensed Consolidated Financial Statements

23. Other liabilities

	30.9.2013	31.12.2012
Accrued expenses.....	7,681	7,327
Accrued royalties.....	865	1,052
Sales tax and VAT.....	3,202	2,110
Payable due to previous acquisition.....	2,324	2,324
Other.....	4,902	2,301
	<u>18,974</u>	<u>15,114</u>

24. Events after the reporting period

On 1 October 2013, Össur acquired 100% of the shares of TeamOlmed, a leading Swedish orthotic and prosthetic (O&P) provider, for SEK 310 million (USD 49 million). Additional payments of up to SEK 50 million (USD 7 million) depend on TeamOlmed meeting certain revenue and profitability targets in 2013 and 2014. Total revenues in 2012 amounted to SEK 348 million (USD 52 million) with an adjusted EBITDA of SEK 43 million (USD 6 million), which is expected to be the full year impact to Össur financials once fully consolidated. With the acquisition, Össur gains a significant share of the Swedish O&P market. The purchase price will be paid in cash and financed through existing financing facilities.

25. Litigation

Otto Bock, Össur's largest competitor in the prosthetics segment, filed a lawsuit in the US against Össur in Q2 2013. Otto Bock claims that certain Össur products, namely the Unity and Iceross Seal-In V liner, infringe one of Otto Bock's patents and that Össur has breached an earlier settlement agreement between the parties. Össur has denied the allegations and claims that Otto Bock's patent is invalid and that Össur's products do not infringe that patent. In addition, Össur claims that the settlement agreement is no longer effective because of Otto Bock's material breach of that agreement. As a consequence of this dispute, legal costs have incurred and will continue to be incurred in 2013. However, as the case is still in its early stages, management expects the majority of related expenses to materialize in 2014 and 2015. While Össur is confident in its positions on the merits, given the nature of US litigation, the likely outcome of the case remains uncertain.

26. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements were approved by the board of directors and authorized for issue on 23 October 2013.